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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

Policies and Rules for Alternative Incentive-Based Regulation of COMSAT Corporation	)))	IB Docket No. 98-60

To: The Commission

COMMENTS OF COMSAT CORPORATION

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COMSAT Corporation ("COMSAT") commends the Commission's recent decision finding the company non-dominant for the vast majority of its INTELSAT-based business.[1] In these comments, COMSAT puts forward a specific proposal, as requested by the FCC, that would replace traditional rate-of-return regulation of the remaining services—*i.e.*, those for which the company is still classified as a dominant carrier—with an "alternative incentive-based regulation plan."[2] As demonstrated below, COMSAT's proposal meets the three pro-competitive criteria that the agency has established for such regulation, while also avoiding the imposition of unnecessary and burdensome administrative tasks on either the Commission or the company.

The proposal features rate reductions directed to low volume customers for digital switched voice ("International Digital Route" or "IDR") services on the so-called "thin routes"

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1 *Petition of COMSAT Corporation for Forbearance from Dominant Carrier Regulation and for Reclassification as a Non-Dominant Carrier (Order and Notice of Proposed Rulemaking)*, File No. 60-SAT-ISP-97, FCC 98-78 (rel. Apr. 28, 1998) ("Non-Dominance Order").

2 *See Policies and Rules for Alternative Incentive Based Regulation of COMSAT Corporation (Notice of Proposed Rulemaking)*, 63 Fed. Reg. 25811 (May 11, 1998).

and incorporates a rate decrease of 4% annually over a five year period beginning in 1998. For its private line ("International Business Service" or "IBS") and occasional use video services, which have been subject to recent rate reductions, COMSAT proposes to cap tariffed rates at existing levels and to commit to apply any subsequent reduction under the general tariff for these services on the so-called "thick routes" to thin routes as well.[3]

I. INTRODUCTION AND SUMMARY

In the *Non-Dominance Order*, the Commission correctly adjusted its regulation of COMSAT services to comport with the marketplace reality: flourishing competition in the vast majority of service and geographic markets that COMSAT serves.[4] The issue that remains to be settled in this proceeding is the rate regulation regime that should apply to the ever-dwindling number of thin routes.

It is important to recognize that these markets now represent an even smaller share of the company's INTELSAT service revenues than the *Non-Dominance Order* reflects.[5] Current data indicate that the markets for which COMSAT remains classified as a dominant carrier will account for only about 8% of COMSAT's revenue from INTELSAT services (including services taken under tariff or pursuant to inter-carrier contracts) this year. Based on current usage levels

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[3] "Thin routes" are those U.S. international routes for which COMSAT remains classified as a dominant carrier for particular services. The FCC determined that the markets for services along all other routes are competitive; these routes have been dubbed "thick routes." *See Non-Dominance Order* at ¶¶ 12, 28; *id.* at Appendix A (identifying 63 thin routes for the purposes of regulating switched voice and private line service); *id.* at Appendix B (identifying 142 thin routes for the purpose of regulating occasional use video service).

[4] *Id.* at ¶ 5.

[5] *See infra* Section II.

at today's rates, COMSAT estimates that total revenue from these services on thin routes will amount to only about $19 million in 1998.

Given the small size of the markets at issue, COMSAT strongly concurs with the FCC's tentative conclusion that "an alternative form of incentive based regulation" is the proper substitute for burdensome rate-of-return regulation here.[6] COMSAT also agrees that administrative simplicity is highly desirable.[7]

The facts justify adoption of an uncomplicated alternative to the traditional rate-of-return regulation of the company's thin route services. COMSAT's proposal meets the agency's concerns without requiring a large allocation of resources by either the Commission or the company. It also provides COMSAT with incentives to become more efficient in offering these services while ensuring that thin-route customers benefit from those efficiencies in the form of reduced rates. Following the approach taken in the *Non-Dominance Order*, the proposal varies by service offering to accommodate differences among the services, historical pricing practices, and amount of traffic. To be specific:

- For switched voice service along the thin routes, COMSAT proposes to reduce rates for low-volume users. This reduction will lower rates by 4% upon approval by the FCC and annually thereafter on January 1 of each year through 2002, with a review of the cap mechanism to be applied in later years. COMSAT will modify its thin route tariff to incorporate this change immediately after the effective date of the FCC order adopting the proposal.

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6 *Non-Dominance Order* at ¶ 164. The Commission correctly recognizes that, under these circumstances, it would be inefficient to devise a complex set of price rules that would require constant monitoring and updating. *Id.* For those reasons, as well as others identified in the *Non-Dominance Order*, COMSAT agrees with the FCC that the "price cap" regulation applicable to large local exchange carriers would be inappropriate here. *Id.* at ¶¶ 146, 149.

7 *Id.* at ¶ 164.

- For private line and occasional use video services—which already have been subject to recent rate reductions—COMSAT will ensure that customers taking service on thin routes receive the same benefits of competition that customers taking tariffed services on the so-called "thick routes" enjoy. This will occur as a result of two commitments: (1) rates under the general tariff for these services, which already apply uniformly to thick and thin routes, will be capped at existing levels; and (2) any subsequent rate reduction under the general tariff for these services on thick routes will apply to thin routes as well.

This proposal meets the three criteria that the agency has established for alternative incentive-based regulation here[8]:

- they will continue indefinitely in those markets where COMSAT remains classified as a dominant carrier,[9]
- they will allow users of COMSAT's services on thin routes to benefit from a competitive or "transaction" rate, and
- they will allow users of COMSAT's services on thin routes to benefit from reduced rates due to increases in efficiency and productivity.

II. THE ISSUES IDENTIFIED IN THE ORDER ARE SMALL IN MAGNITUDE AND CAN BE EXPECTED TO DIMINISH FURTHER OVER TIME

COMSAT's proposal for incentive-based regulation of rates along the thin routes is appropriate in view of the relatively tiny size of its thin route markets. In order to provide the Commission with the most up-to-date picture of the marketplace, COMSAT submits the following facts.

The marketplace information now before the FCC, which COMSAT submitted last year to justify its request for reclassification, was drawn from 1995 or 1996 data. As a result, the

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[8] *Non-Dominance Order* at ¶ 165.

[9] *See infra* Section III.D.

figures recited in the *Non-Dominance Order* no longer represent the true magnitude (or, more precisely, the lack of magnitude) of COMSAT's provision of switched voice, private line, and occasional use video services on thin routes.[10] COMSAT's current projections indicate that, rather than amounting to about 15% of the company's INTELSAT-based revenues, the company's offering of all three types of service on thin routes in 1998 together will account for only about 8% of its total revenue earned from INTELSAT services provided under tariff and inter-carrier contracts. As a further illustration, fewer than 3,300 of COMSAT's digital circuits are currently employed in the delivery of switched voice and private line services to and from the countries listed in Appendix A of the *Non-Dominance Order*,[11] which represents only about 13% of COMSAT's total circuits employed in delivering switched and private line services worldwide. Similarly, the total amount of occasional use video circuit time to the thin route countries listed in Appendix B in 1997 was less than 84,500 minutes—as compared to a total of 364,670 minutes of occasional use circuit time provided worldwide. Current information specific to each service offering is provided below.

Switched Voice Service on Thin Routes: The provision of this service is a key concern underlying this proceeding. The agency has expressed uncertainty as to whether "users seeking service to non-competitive markets are in a position to take advantage of such discounted or transaction rates or whether they generally must pay the higher non-discounted rates."[12]

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[10] *Non-Dominance Order* at ¶ 154 (citing 1996 data concerning switched and private line services); *id.* at ¶ 90 (citing 1995 data to calculate percentage of COMSAT's INTELSAT-based revenues derived from all services supplied on thin routes).

[11] Unless otherwise noted, all discussion of "circuits" refers to 64-kbps equivalent circuits.

[12] *Non-Dominance Order* at ¶ 145.

The answer to that question is simple: the vast majority of customers for thin-route services are in a favorable bargaining position concerning rates and service terms. The three largest carriers account for more than 80% of the switched voice traffic on thin routes. These carriers can—and do—leverage their buying power on the so-called "thick routes" to obtain the lowest rates on thin routes. Indeed, these customers pay the same rates for service on all routes under the inter-carrier contracts.

Consequently, only about 500 IDR circuits are currently used to provide switched voice service on the 63 thin routes to customers who do not qualify for volume discounts under contract. It is these customers to whom COMSAT's incentive-based pricing proposal, set forth in Section III.A, is addressed.

Private Line Services on Thin Routes: Approximately 4.2% of COMSAT's total IBS traffic travels along the thin routes. This traffic requires the use of about 400 circuits.[13] Moreover, volume discounts are not offered for private line service, regardless of whether users take service under tariff or contract.[14]

Occasional Use Video on Thin Routes: Of the 142 countries classified as "thin route" single carrier countries for the purposes of occasional-use video, COMSAT was called upon to actually provide service to only 49 such countries in 1997, 50 countries in 1996, 49 countries in

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[13] In addition to IBS, COMSAT also offers Very Small Aperture Terminal ("VSAT") services. The *Non-Dominance Order* specifically references IBS in conjunction with its findings on private lines, and the status of VSAT services as a "dominant" or "non-dominant" service for thin routes is unclear. This service constitutes a *de minimis* amount of traffic. Of COMSAT's total VSAT services, thin route points represent 3.5%, or 15 MHz.

[14] Certain carrier-customers have provisions in their contracts whereby they may use private line circuits to meet a small part of their switched voice traffic volume commitments with COMSAT.

1995, and 46 countries in 1994. COMSAT's annual revenue for providing this service in 1997 on thin routes was $844,000—as compared to $3.57 million in total revenue that year for COMSAT's occasional use services worldwide.

III. THE *DE MINIMIS* NATURE OF THE ISSUES WARRANTS A SIMPLE SOLUTION

The facts now before the Commission make clear that COMSAT's services on thin routes represent a small—and shrinking—percentage of the company's INTELSAT-based business. Accordingly, COMSAT offers the following simple proposals, tailored to each service offering, for regulating rates on these routes.

A. Proposal for Low Volume Customers Seeking Switched Voice Service On Thin Routes

To specifically address the FCC's concerns about switched voice rates offered to low volume users on thin routes, COMSAT proposes to file a rate reduction expressly addressed to those customers. This proposed thin route tariff modification will reduce rates steadily by 4% per year through the year 2002, with a review of the rate cap mechanism to be applied in later years.[15] The existing IDR tariffed volume plan will remain in place as an option for those

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[15] Following the effective date of the FCC order adopting this proposal, COMSAT promptly will modify its thin route tariff to reflect a 4% rate decrease for the remainder of 1998. Thereafter, the rate cap decreases will take effect on January 1 of each succeeding year.

The 4% reductions will be applied to all three categories of tariffed IDR prices quoted for switched services on thin routes: (1) month-to-month service, (2) circuits activated and leased prior to 1992 (so-called "base circuits"), and (3) circuits activated in 1992 or thereafter (so-called "growth circuits"). Growth circuits currently are eligible for volume discounts under tariff at specified thresholds, while base circuits are not.

customers whose aggregate IDR circuit volume on all routes would result in a lower rate.[16]

As a legal matter, this rate reduction will bring thin route rates for low volume customers below the "competitive or 'transaction' rate" for switched services generally.[17] The Commission in the *Non-Dominance Order* already has determined that the market for switched services on thick routes is fully competitive.[18] Because COMSAT charges the same transaction rates for IDR services under tariff regardless of the geographic route served, customers on thin routes now receive the same competitive tariff prices as customers on thick routes.[19] It also should be emphasized that the services at issue represent a low volume of business—about 500 circuits as of April 1998, which are expected to generate only about $3.4 million in revenue this year.

Nevertheless, in an effort to meet the FCC's interests in obtaining reduced rates and establishing an incentive-based regulatory scheme for COMSAT's services on thin routes, COMSAT will agree to an immediate 4% reduction in tariff rates for these customers for the remainder of this year, with additional annual decreases through the year 2002. The 4% figure is an objective measure that will provide COMSAT with a real incentive to remain efficient

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16 As the FCC has repeatedly recognized, the offering of volume discounts—as well as term discounts—can be beneficial to competition. *See, e.g., Expanded Interconnection with Local Telephone Company Facilities*, 7 FCC Rcd. 7369, 7463 (1992) (noting that such discounts "can be a useful and legitimate means of pricing ... to recognize the efficiencies associated with the larger volumes of traffic and the certainty of longer term deals").

17 *Non-Dominance Order* at ¶ 165.

18 *Id.* at ¶¶ 70, 72, 81, 83-84, 86, 90, 93 (finding, *inter alia*, high demand elasticity, high supply elasticity, and lack of effective barriers to entry).

19 *See, e.g.,* Petition of COMSAT Corporation for Forbearance from Dominant Carrier Regulation and for Reclassification as a Non-Dominant Carrier, File No. 60-SAT-ISP-97 (filed April 24, 1997) ("COMSAT Non-Dominance Petition") at 70-71.

throughout the period.

It is important to recognize that COMSAT, unlike other carriers subject to the agency's jurisdiction, does not have control over many of its costs. As only one entity in the INTELSAT consortium, COMSAT does not have unilateral power over the organization's purchasing, satellite deployment, and other cost-related system management decisions.[20] Rather, COMSAT must find efficiencies in those areas that are not determined by the cumbersome INTELSAT structure—such as by increasing its volume of service to U.S. customers.[21]

Thus, by proposing an absolute reduction of 4% per year, COMSAT alone will assume real financial risks if the company cannot continually increase its productivity by decreasing those costs that *are* under its control or by increasing the volume of its services on thin routes. Low volume customers, on the other hand, will benefit from a guaranteed rate reduction upon which they can rely for long-term planning purposes.

This proposal for reducing the rate cap by 4% per annum through the year 2002 for switched voice services on the thin routes compares favorably to various streamlined rate regulation regimes currently employed by the Commission, whether referenced in the *Non-*

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[20] These INTELSAT costs include, but are not limited to, satellites purchased but not available for use by COMSAT.

[21] Moreover, as the Commission's record in the *COMSAT Non-Dominance Proceeding* shows, the cost of providing new satellite circuits has remained relatively flat—as opposed to the declining cost of providing new cable circuits. *See Non-Dominance Order* at ¶ 88 (citing COMSAT Non-Dominance Petition at 63) *see also* Professor Hendrik S. Houthakker, Harvard University, and The Brattle Group, *Competition in the Market for Trans-Oceanic Facilities-Based Telecommunications Services*, June 24, 1994, at 95-97 and Exh. HSH 10.1 through 10.3; Professor Hendrik S. Houthakker, Harvard University, and The Brattle Group, *The Economic Basis for Reclassification of COMSAT as a Non-Dominant Carrier*, April 24, 1997, at 9-10 (both submitted in File No. 60-SAT-ISP-97).

Dominance Order or not. For example, COMSAT's proposal offers benefits to thin route customers that are superior to those of the optional alternative incentive plan governing small and medium-sized telephone companies (entities which are comparable to COMSAT in size).[22] COMSAT's proposal requires an absolute reduction in rates by 4% a year, while the *Small & Mid-Sized Telco Order* contemplates a rate reduction only once every two years.

The 4% figure proposed here is roughly equivalent to the kind of efficiencies that other telecommunications companies have historically achieved. Moreover, COMSAT's proposal requires an automatic rate reduction of 4% even if COMSAT has not been able to achieve any efficiencies. By contrast, the rate reductions under the *Small Telco Order* remained tied to cost-of-service regulation, so there is no assurance that those rates would decline by such a substantial percentage.

Furthermore, COMSAT's proposal is straightforward and easily administered. This is appropriate given the small size of the thin route market and the inevitable growth of facilities-based competition there.

The proposed tariff, with its annually declining rate cap, also squarely meets the criteria established in the *Non-Dominance Order* for incentive-based regulation for COMSAT's thin route rates. It establishes no definite ending date; it would merely be reviewed in five years.[23]

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[22] *Regulatory Reform for Local Exchange Carriers Subject to Rate-of-Return Regulation*, 8 FCC Rcd. 4545 (1993) ("Small & Mid-Sized Telco Order"). *See also National Ass'n of Regulatory Utility Commissioners v. FCC*, 737 F.2d 1095, 1141 (D.C. Cir. 1984) (court accepts FCC method of calculating surcharge applicable to private line service as "reasoned guesswork").

[23] Review of the mechanism would be appropriate at that point, given the anticipated changes in marketplace conditions—including the expected reduction in the number of thin routes and plans for INTELSAT privatization.

Low volume customers will enjoy rates that are guaranteed to drop at a rate of 4% annually. And this declining rate cap provides real incentives for COMSAT to continually improve its productivity and efficiency.

B. Proposal for Customers Seeking Private Line Service On Thin Routes

The Commission also has expressed some concern about ensuring that customers for COMSAT's private line services on the thin routes pay just and reasonable rates.[24] COMSAT's proposal addresses those issues.

For the sake of clarification, it is worth repeating that the thin route IBS service market represents a minute portion of COMSAT's overall business. It employs less than 400 of COMSAT's INTELSAT circuits, which represents only about 1.4% of COMSAT's total circuits providing switched or private line service globally. Moreover, although it was not reflected in the *Non-Dominance Order*,[25] COMSAT has lowered its IBS tariff rates in response to competition—reducing them in June 1997 by an average of 8%.[26]

Furthermore, as noted above, volume discounts do not apply to private line services.[27] It also should be noted that COMSAT prices its private line services under its general tariff uniformly, without regard to whether the foreign point represents a thin or thick route. These rates were designed to meet competition in the thick route market for private line services.

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[24] *Non-Dominance Order* at ¶¶ 145, 165.

[25] *See Non-Dominance Order* at ¶ 145 & n.300.

[26] *See* COMSAT Corporation, Tariff FCC No. 1, Transmittal No. 90 (filed June 16, 1997). In addition, COMSAT's VSAT rates were reduced in June 1997 by an average of 10%.

[27] *See supra* Section II.

Consequently, customers on both thin routes and thick routes pay the same competitive "transaction" rates under the general tariff.[28]

In view of these facts—particularly the rate reduction that benefited customers on all routes less than a year ago—COMSAT will agree to cap its current tariff rates for private line service at those reduced levels. Thus, as rates under the general tariff decline for customers on thick routes, customers on thin routes also will benefit from such rate reductions. This proposal meets the three criteria that the Commission seeks to achieve: it will be maintained indefinitely, it treats thick and thin route users alike, and it will protect customers against rate hikes while allowing COMSAT to respond to the competitive marketplace's incentives for efficiency and productivity.

C. Proposal for Customers Seeking Occasional Use Service On Thin Routes

The Commission has expressed its interest in ensuring that occasional use video services remain available on thin routes at a reasonable rate.[29] COMSAT's proposal satisfies those concerns.

It bears repeating that demand for occasional use service on thin routes is quite low. In the last two years, COMSAT's customers sought service for just over one-third of the routes listed in Appendix B—and COMSAT's revenues in 1997 were less than $850,000 for satisfying

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[28] *See Non-Dominance Order* at ¶ 94 (finding the market for private line services on thick routes to be "substantially competitive"); *cf. supra* notes 17-19 and accompanying text. Recent growth in the volume of this business also supports the conclusion that the new tariff embodies the so-called "transaction" rate.

[29] *Non-Dominance Order* at ¶ 146.

those requests.[30] In addition, COMSAT has not offered traditional volume discounts for this service.

Moreover, although not reflected in the *Non-Dominance Order*,[31] COMSAT has amended its tariffs twice since 1995. In April 1996, the company created a tariffed offering for pre-scheduled and recurring bookings with price decreases ranging from 10 to 25% off standard rates.[32] Three months later, COMSAT reduced preemptible short-term tariff rates at K-band on all satellites; these cuts affected leases ranging from one week to six months, with an average price drop of 16%.[33]

Against this factual background, the FCC can accomplish its goals by simply requiring that COMSAT cap its prices at current tariff levels and pledge to offer the same general tariff rates to customers on thin routes as provided to customers on thick routes. This proposal satisfies the agency's pro-competitive criteria by (1) remaining in place indefinitely, (2) treating customers equally regardless of the route served, and (3) shielding customers from price increases while affording COMSAT scope to respond to the efficiency and productivity incentives inherent in the "competitive" routes marketplace.

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[30] *See supra* Section II. Furthermore, while the Commission includes short-term full period video leases with terms of up to three months in the agency's definition of "occasional use video," no customer ordered such three-month service on thin routes in 1997.

[31] *Non-Dominance Order* at ¶ 145 & n.300.

[32] *See* COMSAT Corporation, Tariff FCC No. 1, Transmittal No. 68 (filed Feb. 9, 1996).

[33] *See* COMSAT Corporation, Tariff FCC No. 1, Transmittal No. 71 (eff. date July 1, 1996).

IV. THE COMMISSION SHOULD MODIFY ITS EXISTING REGULATORY FRAMEWORK FOR REFLECTING MARKETPLACE DEVELOPMENTS AS THIN ROUTES BECOME COMPETITIVE

While the Commission has properly recognized the need for a more simple, incentive-based regulatory scheme for COMSAT's provision of thin route services, the FCC recognizes generally that it is best to "limit the application of unnecessary regulation where competition would serve as a better regulator."[34] Because competition on the thin routes is inevitable and rapidly approaching, it would be appropriate for the agency to clarify the procedural mechanism by which newly competitive geographic routes may be reclassified as thick routes once marketplace competition develops.[35] Over time, this will provide a means for further elimination of unnecessary regulatory burdens borne by the Commission and by COMSAT.

Accordingly, COMSAT suggests that the FCC adapt the existing procedure previously adopted in the context of "streamlined" tariff filings for switched and private line services, with modifications to reflect the type of information currently available concerning competing facilities providers.[36] In the 1996 *Partial Relief Order*, the agency provided a list of countries

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[34] *Non-Dominance Order* at ¶ 134; *cf. Procurement Order* at ¶¶ 7, 10.

[35] *See, e.g.*, Professor Hendrik S. Houthakker, Harvard University, and The Brattle Group, *The Economic Basis for Reclassification of COMSAT as a Non-Dominant Carrier*, submitted in File No. 60-SAT-ISP-97 (Apr. 24, 1997) at 4-19. For example, when cable systems proposed to serve Africa become operational, a large number of countries on that continent will benefit from intermodal competition for switched and private line services—and potentially video services as well. In addition, as the Commission has recognized, successful implementation of the World Trade Organization Basic Telecommunications Agreement ("WTO Agreement") should lead to further opening of foreign markets to U.S. separate systems. *Non-Dominance Order* at ¶ 84.

[36] *Petition of COMSAT Corporation for Partial Relief From the Current Regulatory Treatment of COMSAT World Systems' Switched Voice, Private Line, and Video and Audio Services*, 11 FCC Rcd. 9622 (1996).

deemed non-competitive—under then-current market conditions—with respect to U.S. international services.[37] The Commission allowed COMSAT to "update this list [via tariff revisions] whenever U.S. carriers' Monthly Circuit Status Reports show that cable service has become available to additional countries."[38]

The *Non-Dominance Order* did not repeal this procedure, which remains in effect for thin routes.[39] COMSAT suggests that this mechanism be modified to meet the new regulatory environment now in place—so that the regulatory burdens on both the FCC and the company continue to decrease automatically as competition grows. The simplest and most administratively feasible method for accomplishing this goal would be for COMSAT to propose to delete a route from the thin route tariff, accompanied by the submission of evidence concerning the new competition that justifies the deletion.

However, the Commission should address the fact that less marketplace data is publicly available on a timely basis than was the case in 1996. U.S. international carriers now file their circuit status reports only once a year, meaning that a considerable period of time might elapse before the regulatory classification would "catch up" to the presence of competition for switched voice and private line services on a particular route. Moreover, because the FCC imposes no obligation on separate satellite systems to report the international routes that they serve, new competition for occasional use services might go completely undetected by the agency.

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37 *Id.* at Attachment 1.

38 *Id.* at n.59.

39 *Non-Dominance Order* at ¶ 180.

Accordingly, the approach taken in the *Partial Relief Order* should be modified to accept other reliable evidence of competition. COMSAT proposes that the reclassification process begin upon a *prima facie* showing by the company that competition exists on a particular route, whether that evidence takes the form of the carriers' circuit status reports or other factual data showing that a facilities-based competitor can provide service on a specific route.[40] The burden of proof would then be on opposing parties to explain why dominant classification still would be required on that route.

V. CONCLUSION

The Commission should adopt its tentative conclusion to replace the traditional rate-of-return regulation in those markets for which COMSAT remains classified as a dominant carrier with an alternative incentive-based regulatory framework that is simple to administer. Moreover, COMSAT urges the FCC to adopt the company's proposals for the three service markets at issue: (1) a modification of its thin route tariff that will lower switched service rates for low volume customers by 4% immediately for the remainder of 1998, with additional 4% annual reductions through the year 2002; (2) a cap on tariff rates for private line services that tracks the 1997 rate reductions, accompanied by a commitment that any subsequent tariff rate reduction applied to thick routes will also apply to thin routes; and (3) a cap on tariff rates for occasional use video services that also corresponds to recent rate reductions for those services, with a similar

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[40] Evidence would be in the form of the carriers' circuit status reports or other factual data, consistent with that cited in the *Non-Dominance Order*. Consequently, a thin route should be reclassified as a competitive "thick" route once competition on that route is available. *See Non-Dominance Order* at ¶¶ 111, 120, 130. Competition could take the form of optical fiber cable or satellite competition.

commitment to extend any future tariff rate reductions to both thick and thin routes. These proposals squarely meet the pro-competitive criteria that the agency has established for incentive-based regulation of COMSAT's thin route rates.

Respectfully submitted,

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